

Message Text

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TO AMEMBASSY CANBERRA

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TAGS: EPAP, EINV, ETRD, AS

SUBJECT: UNDER SECRETARY ROBINSON MEETING WITH MINISTER FOR
OVERSEAS TRADE CREAN

1. ON JANUARY 14, AUSTRALIAN MINISTER FOR OVERSEAS TRADE
FRANK CREAN MET WITH UNDER SECRETARY FOR ECONOMIC AFFAIRS
ROBINSON. ALSO ATTENDING WERE DEP. ASST. SEC. KATZ (EB),
DEP. ASST. SEC. EDMOND (EA), AND AUSTRALIAN COMMERCIAL
MINISTER SMITH. PRIMARY REASON FOR AUSTRALIANS SEEKING
APPOINTMENT WAS TO DISCUSS US MEAT IMPORT SITUATION. CREAN
AND SMITH MADE FOLLOWING POINTS:

A. MARKET WAS DEPRESSED LAST YEAR, LEADING TO LOW LEVEL OF
SHIPMENTS TO US. COMPARISON OF PROPOSED VOLUNTARY RESTRAINT
LEVEL WITH 1974 EXPORTS THEREFORE MISLEADING; IT WOULD BE
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MORE LOGICAL TO LOOK AT MOST RECENT THREE-YEAR AVERAGE,

WHICH WOULD BE MUCH HIGHER THAN 1973 LEVEL.

B. DIFFERENT MARKET CONDITIONS FACE US AND AUSTRALIAN PRODUCERS. PERHAPS 60 PERCENT OF AUSTRALIAN PRODUCTION NOW EXPORTED, ABOUT HALF TO US. ON THE OTHER HAND, IMPORTS ARE SMALL PROPORTION OF US CONSUMPTION. THERE IS ALSO DIFFERENCE IN GRADES BETWEEN MOST OF BEEF PRODUCED IN US AND IMPORTS FROM AUSTRALIA. AUSTRALIAN PRODUCERS SHOULD BE REGARDED AS LONG-TERM SELLERS, AND MAIN EXPORTERS SHOULD NOT

BE MADE TO BEAR BRUNT OF DOMESTIC DIFFICULTIES.

C. HISTORICALLY, AUSTRALIA HAS EXPANDED PRODUCTION MARKEDLY, IN LARGE MEASURE RESPONDING TO NEEDS OF US MARKET. AUSTRALIA RESPONDED TO US REQUEST TO SHIP MORE BEEF IN 1972 AND 1973. NOW, AUSTRALIA HAS A RECORD HERD, AND SUDDEN CHANGE IN PASTURE CONDITIONS COULD PLACE PRODUCERS IN SERIOUS DIFFICULTY.

2. UNDER SECRETARY ROBINSON NOTED THAT THIS IS POLITICALLY SENSITIVE ISSUE, BUT THAT IT IS IN INTEREST OF BOTH COUNTRIES TO WORK OUT LONG-TERM COOPERATIVE ARRANGEMENTS. CREAN SAID THAT HE HAD CONFIDENCE THAT SITUATION WOULD IMPROVE OVER LONG TERM, BUT THAT HIS CONCERN WAS OVER NEXT 12 MONTHS AND WHAT WOULD HAPPEN WITH DETERIORATION IN RANGE CONDITIONS. KATZ OBSERVED THAT THIS IS ONE FEAR OF US PRODUCERS -- THAT RANGE PROBLEMS COULD LEAD TO FLOODING OF US MARKET. SMITH THOUGHT THIS UNLIKELY, SINCE PRICE CONSIDERATIONS WOULD RENDER SUCH ACTION BY AUSTRALIAN PRODUCERS UNPROFITABLE.

3. MR. KATZ OUTLINED PROBLEM FACED BY USG. WHILE WE HAVE VERY MUCH IN MIND INTERESTS OF MAIN EXPORTERS, GROUND WAS CUT OUT FROM UNDER US BY OTHERS -- THE EC AND JAPAN. THIS LEFT US AS ONLY OPEN MARKET. WHEN CANADA CLOSED BORDER TO BEEF, THIS MADE POLITICAL SITUATION INTOLERABLE. BUT THE US HAS NOT RESORTED TO MANDATORY QUOTAS, AND THE PROPOSED LEVEL REPRESENTS AN INCREASE FROM 1974. RECOGNIZING AUSTRALIA'S LONG-TERM PERFORMANCE, ITS PROPOSED PERCENTAGE HAS BEEN RAISED TO 54. AUSTRALIAN APPRECIATED LIMITED OFFICIAL USE

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THIS FACT BUT STATED CONCERN IS OVER TOTAL FIGURE RATHER THAN PERCENTAGE. ONCE A FIGURE IS SET, THEY THOUGHT THAT IT WOULD BE MOST DIFFICULT TO CHANGE, AND CREAN WISHED FIGURE HAD NOT BEEN ANNOUNCED.

4. MR. KATZ NOTED THAT LIQUIDATION OF US HERDS HAS NOT BEEN AS HIGH AS EXPECTED LATE LAST YEAR, AND THAT PRICES HAVE BEEN MORE STABLE THAN EXPECTED, BUT AT RATHER LOW

LEVEL. A SHARP PRICE UPTURN IN THE LATTER HALF OF 1975
IS NOW DOUBTFUL. US ESTIMATES OF THE MARKET ARE SHIFTING.

5. ON OTHER MATTERS, MR. ROBINSON ASKED ABOUT TRENDS IN
AUSTRALIA ON IMPORT RESTRAINT, NOTING RECENT MOVES
IMPOSING TARIFF QUOTAS. CREAN SAID THAT GOA IS STILL
COMMITTED TO TRADE LIBERALIZATION, BUT WOULD HAVE TO GO
SLOWER AFTER ACROSS-THE-BOARD 25 REDUCTION IN 1973. FOL-
LOWING THIS REDUCTION, HE SAID AUTOMOBILE, FOOTWEAR, AND
TEXTILE INDUSTRIES HAD SUFFERED PARTICULARLY FROM IN-
CREASED IMPORTS, AND SOME RELIEF IS NECESSARY.

6. MR. ROBINSON ASKED WHAT INFLUENCE GOA POLICIES HAD HAD
ON FOREIGN INVESTMENT. CREAN OBSERVED THAT APPARENTLY US
INVESTORS HAVE HAD NO DIFFICULTY IN MAKING GOOD PROFITS
IN AUSTRALIA, AND THAT GOA THOUGHT THEY SHOULD BE IN-
CREASINGLY ASSOCIATED WITH AUSTRALIAN PARTNERS. ROBINSON
NOTED AUSTRALIA'S VAST COAL RESERVES AND PRESENT COST
ADVANTAGE OF URANIUM AS ENERGY SOURCE. CREAN STATED THAT
THERE ARE POLICY QUESTIONS ON URANIUM DEVELOPMENT, ALLUDING
TO LONG LEAD TIME AND HIGH COSTS INVOLVED. ROBINSON
ASKED IF THERE WAS DISINCENTIVE TO OFFSHORE OIL EXPLORA-
TION IN AUSTRALIA. CREAN THOUGHT THAT THERE WAS NOT, BUT
THAT CLEARER INDICATION WOULD HAVE TO AWAIT IMPLEMENTATION
OF LEGISLATION ON THE PETROLEUM AND MINERALS AUTHORITY
(PMA). CREAN SAID THAT PMA WILL DEFINITELY BE LOOKING TO
FOREIGN CAPITAL ONCE IT IS OPERATIONAL.

7. CLOSING WITH GENERAL DISCUSSION OF AUSTRALIAN ECONOMY,
CREAN THOUGHT SERIOUSNESS OF CURRENT UNEMPLOYMENT PROBLEM
HAS BEEN OVERDRAWN. HE SEEMED CONFIDENT THAT RECENT
REFLATION MEASURES (TAX REDUCTIONS, ACCELERATED DEPRECI-
ATION) WOULD BE EFFECTIVE. KISSINGER
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